GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:879
ANSWERED ON:28.07.2000
SPECIAL AUDIT BY SEBI
ANANTRAO GUDHE

Will the Minister of FINANCE be pleased to state:

(a)whether SEBI has conducted a special audit into the functioning of 55 collective investment schemes of plantation companies;

(b) if so, the details of findings of special audit and serious financial mismanagement/frauds committed by each of the plantation company;

(c) the details of action taken/proposed to be taken by the Government to protect the interests of investors who have been cheated; and

(d) the details of long term policy initiatives proposed to check plug effectively the various malpractices indulged in by the Plantation Companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) The Securities and Exchange Board of India (SEBI) had ordered a special audit of 53 collective investment schemes (CIS) Audit of two more companies was carried out pursuant to court orders.

The major findings of the audit reports include: large scale diversion of funds to activities unrelated to the schemes` objectives; the lands/properties of the schemes are often not registered in the names of the entities/investors; a large portion of the funds raised has been spent towards the cost of mobilisation of funds; existing investors are paid out of the money received from subsequent investors and not from the profits/income from legitimate business activities; funds have been mobilised without obtaining credit rating.

c) & (d) SEBI has issued show cause notices to various entities operating such schemes. Court proceedings have been initiated against 5 companies namely Libra Plantations Ltd., Arrow Global Agrotech Ltd., SPGGreen Gold Plantations Ltd., Okara Agro Industries Ltd., and Golden Forests (India) Ltd. Further, theSEBI (Collective Investment Schemes) Regulations, 1999 were notified on October 15, 1999. Henceforth, no entity other than a Collective Investment Management Company which has obtained a certificate of registration under the SEBI regulations can carry on or sponsor or launch a Collective Investment Scheme. Also no existing Collective Investment Scheme is allowed to launch any new scheme or raise money from investors unless a certificate of registration is granted to it.